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Deadline Missed, Congress Is Still Optimistic on Prescription Bill

By ROBERT PEAR

WASHINGTON, Oct. 17 — House and Senate negotiators missed their self-imposed deadline for agreement on a bill adding prescription drug benefits to Medicare on Friday, but they said they had narrowed their differences on many issues, including a proposal to allow imports of less expensive drugs from Canada.

"We set this deadline to push everyone to the limits, and we are closing in," Representative Billy Tauzin, Republican of Louisiana, said. "It's coming together gradually. There's a general feeling that we can get this done."

The Friday deadline was set last month by the Senate majority leader, Bill Frist of Tennessee, and Speaker J. Dennis Hastert of Illinois, both Republicans.

The negotiators said they had not made many final decisions about how to reconcile the House and Senate versions of the Medicare bill. But they have stepped up negotiations in the last few days and now say they hope to finish by Nov. 7.

Lawmakers and lobbyists said the chances of agreement on a comprehensive Medicare bill appeared to have increased since early September, when Congress returned from its summer recess. At that time, lobbyists and health policy experts said the chances seemed no greater than 50-50.

Senator Max Baucus of Montana, one of two Democrats allowed to attend meetings of the House-Senate conference committee, said that "we are getting closer and closer to agreement" on many issues, including an increase in Medicare payments to rural hospitals. But, Mr. Baucus added, one reason for the

optimism is that "nothing definite has been decided."

Representative Michael Bilirakis, Republican of Florida, said he believed the negotiators would feel obliged to ease the rules on prescription drug imports. Senator Charles E. Grassley, Republican of Iowa, made a similar prediction, saying that any final bill would probably include "something fairly substantial on the importation of drugs."

Mr. Bilirakis said he opposed such imports because he feared they could endanger consumers. But he said that in more than 20 years as a member of Congress, he had almost never been so harshly criticized by constituents as he has been for his position on the issue.

In July, the House passed a bill allowing Americans to import prescription drugs from Canada and Europe. The Congressional Budget Office estimated on Friday that the bill would save \$2.9 billion for the government and \$40 billion for all purchasers over the next 10 years.

A bipartisan group of senators, led by Olympia J. Snowe, Republican of Maine, and Edward M. Kennedy, Democrat of Massachusetts, has been monitoring the Medicare talks. In a joint statement on Friday, Ms. Snowe and Mr. Kennedy said, "It is deeply disappointing that the Medicare conference has made so little progress."

The conference committee has, in principle, endorsed the idea that elderly people with high incomes should pay higher Medicare premiums than other beneficiaries. But they are far from agreement on the details like how would income be verified and how would the extra premiums be collected.

Among the proposals discussed on Friday was one for Medicare to cover an initial physical examination for each new beneficiary, regardless of whether the person had any symptoms of illness. House members supported the proposal, but senators opposed it because of concerns about cost.

The negotiators said they were devising a plan to rein in the cost of new drug benefits, to guarantee that the cost does not explode because of rising drug prices or greater use of medicines by the elderly.

Conservative House Republicans have demanded some mechanism to ensure that spending for drug benefits over the next 10 years does not exceed \$400 billion,

the cost of the legislation as estimated by the Congressional Budget Office. Mr. Hastert promised the conservatives that he would seek such a mechanism.

Republicans are concerned about what they see as Medicare's growing reliance on general tax revenues, including income taxes, to supplement premiums and payroll taxes.

Senator John B. Breaux, Democrat of Louisiana, said the conference committee was developing a plan that would force Congress to act if general revenues accounted for more than a certain percentage of Medicare spending, perhaps 40 percent.

The negotiators have not decided what action would be required. Congress, they said, might be required to vote on cutting benefits, increasing taxes or authorizing additional contributions of general revenue to the Medicare trust fund.

Democrats say such a mechanism would undermine Medicare's status as an entitlement program, with guaranteed benefits.

But Representative Jeb Hensarling, Republican of Texas, said the entitlement would be worthless if the Medicare trust fund ran out of money in the next two decades.

"A huge cost overrun in Medicare should, at the very least, force Congress to come back and take a look at the program," Mr. Hensarling said.

The negotiators said they had tentatively agreed that low-income elderly people eligible for both Medicare and Medicaid should receive drug benefits through Medicare, which is financed entirely by the federal government.

The decision is a rebuff for the Bush administration, which had argued that those beneficiaries should continue receiving drug coverage under Medicaid, which is financed with federal and state money.